

Message Text

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ACTION XMB-04

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PLEASE PASS EXIM

E.O. 11652 N/A
TAGS: BPRO, EFIN, TU
SUBJ: INQUIRY ON EXIMBANK FINANCING OF GENERAL ELECTRIC EXPORT
SALE TO TURKISH PRIVATE SECTOR COMPANY

REF: STATE 199065

1. OZDEMIR SABANCI, GENERAL MANAGER OF SASA COMPANY OF ADANA, TURKEY, A LEADING PRIVATE-SECTOR PRODUCER OF TEXTILES AND ARTIFICIAL AND SYNTHETIC FIBERS, HOPES TO DISCUSS POSSIBILITY OF CREDITS WITH EXIMBANK OFFICIALS, DURING VISIT TO US BEGINNING AUGUST 20. SASA WOULD LIKE TO PURCHASE \$15 MILLION WORTH OF TURBINES, BOILERS AND RELATED EQUIPMENT FROM GENERAL ELECTRIC, LYNN, MASSACHUSETTS. EMBASSY IS FULLY AWARE OF CURRENT EXIMBANK POSITION TOWARD TURKEY (REFTEL.

2. SASA IS A DIVISION OF LARGE SABANCI HOLDING COMPANY OF ADANA. SABANCI HOLDING RANKED 80TH ON LATEST FORTUNE LIST OF 500 LARGEST FOREIGN FIRMS. IN 1977 SASA WAS 26TH LARGEST FIRM IN TURKEY. IN 1976 ITS GROSS SALES WERE OVER \$82 MILLION AND ITS WORKING CAPITAL AND RESERVES
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WERE OVER \$42 MILLION. THE FIRM'S FOREIGN SALES NOW TOTAL OVER \$5 MILLION A YEAR.

3. JAMES W. BACHMAN, GENERAL ELECTRIC PROJECT FINANCE MANAGER FOR EUROPE, VISITED EMBASSY AUGUST 9 TO INQUIRE ABOUT THE POSSIBILITY OF EXIMBANK FINANCING OF THIS SALE. THE PROPOSED \$15 MILLION PURCHASE FROM GENERAL ELECTRIC

IS PART OF A \$75 MILLION EXPANSION PROJECT, AND IS INTENDED TO GIVE THE PLANT A SELF-CONTAINED POWER GENERATION SYSTEM TO ELIMINATE PLANT SHUTDOWNS DUE TO THE GENERAL SHORTAGE OF ELECTRICITY IN TURKEY.

4. MR. BACHMAN EMPHASIZED SASA'S FINANCIAL SOUNDNESS AND ITS EXCELLENT RECORD OF DEBT REPAYMENT. HE SAID THAT THE FIRM'S FINANCIAL DIRECTOR OF THE PAST THREE YEARS HAS REDUCED ITS FOREIGN DEBT FROM \$42 MILLION TO \$10 MILLION DURING A PERIOD OF INCREASINGLY SEVERE HARD CURRENTLY SHORTAGE IN TURKEY, WHILE NEARLY DOUBLING THE COMPANY'S CAPITAL FROM TL 550 MILLION TO TL 1 BILLION. (CURRENT RATE OF EXCHANGE: TO 25 EQUALS \$1.00.) MR. BACHMAN SAID THAT SASA HAS PREVIOUSLY BORROWED FROM THE IFC AND SUCH BANKS AND CITIBANK, BANKERS TRUST AND WELLS FARGO, AND THAT ALL OF ITS INTERNATIONAL DEBTS HAVE BEEN PAID ON THEIR DUE DATES. THE COMPANY IS CURRENTLY NEGOTIATING A MAJOR EURO CURRENCY CREDIT WITH AMERICAN EXPRESS. HE ADDED THAT BECAUSE THE SABANCI HOLDING COMPANY OWNS AKBANK, THE THIRD LARGEST TURKISH BANK, IT IS IN A FAVORABLE POSITION TO IMPLEMENT FOREIGN EXCHANGE TRANSFERS.

5. BACHMAN'S ARGUMENTS MUST BE LOOKED AT CRITICALLY, HOWEVER. MOST AVENUES WHICH SASA COULD USE IN PAST TO MEET ITS FOREIGN PAYMENTS HAVE NOW BEEN CLOSED BY NEW UNCLASSIFIED

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REGULATIONS DESIGNED TO PREVENT TURKS FROM PAYING FOR IMPORTS WITH FOREIGN EXCHANGE HELD OR ACQUIRED ABROAD. AKBANK, LIKE ALL OTHER TURKISH BANKS, CAN DISPOSE OF ANY FOREIGN EXCHANGE THAT COMES ITS WAY ONLY WITH THE APPROVAL OF THE CENTRAL BANK. UNDER NEW REGULATIONS FOR THE ENCOURAGEMENT OF EXPORTS, SASA ITSELF AND SABANCI HOLDING, LIKE OTHER TURKISH COMPANIES, MAY BE ALLOCATED FOREIGN EXCHANGE IN AMOUNTS EQUAL TO A PORTION OF THEIR EXPORT EARNINGS TO FINANCE NECESSARY IMPORTS; EMBASSY DOES NOT KNOW WHETHER IMPORTS FOR AN INDEPENDENT GENERATING SYSTEM WOULD QUALIFY UNDER THIS PROGRAM. OBVIOUSLY, ABILITY OF GOT TO ALLOCATE FOREIGN EXCHANGE TO EXPORTERS DEPENDS IN THE END ON ITS AVAILABILITY BEYOND THE AMOUNT REQUIRED TO MEET TURKEY'S CRITICAL IMPORT NEEDS. EMBASSY SUGGESTS THAT EXIMBANK DISCUSS WITH OZDEMIR SABANCI, WHO IS ONE OF TURKEY'S MOST PROMINENT BUSINESS LEADERS, PRECISE SOURCES OF THE FOREIGN EXCHANGE THAT HE EXPECTS TO BE AVAILABLE TO HIM FOR REPAYMENTS.

6. EMBASSY WOULD APPRECIATE BEING KEPT APPRISED OF THE STATUS OF ANY EVENTUAL LOAN APPLICATION BY GE FOR THIS

PROJECT. DILLON

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